

**MINUTES OF THE SPECIAL MEETING OF THE LA CAÑADA FLINTRIDGE
CITY COUNCIL HELD ON TUESDAY, JUNE 29, 2004, IN THE CITY COUNCIL
CHAMBERS AT 1327 FOOTHILL BLVD., LA CAÑADA FLINTRIDGE,
CALIFORNIA**

1. Call to Order

Mayor Olhasso called the meeting to order at 8:35 a.m.

2. Roll Call

Councilmembers present were Gregory Brown, Stephen Del Guercio, David Spence, Anthony Portantino and Laura Olhasso.

Staff members present were City Manager Alexander; City Attorney Steres; City Treasurer Voss; Director of Community Development Stanley; Director of Public Works Castellanos; City Engineer Kwan; Senior Management Analyst Goytia Strauss; Management Analysts Adams, and Wilson; Senior Accountant Bortfeld; Management Aide Christensen; and City Clerk Wahlsten.

3. Comments from the Public

There was no one present wishing to speak.

4. Loan Agreement with La Cañada Unified School District.

City Manager Alexander stated the Agreement presented is based on conceptual approval at a prior City Council meeting. Staff, including Treasurer Don Voss and City Attorney Mark Steres, put together a revolving promissory note for \$400,000 that has been presented to the School District. The School Board will consider it at their meeting tonight. The loan is for the purpose of pre-paying the School District's sewer assessment in Assessment District No. 04-01.

Councilmember Brown expressed concern regarding the structure of the loan because we are giving the School District a fixed interest rate for years 6 - 20 based on today's rates which would mean a loss to the reserves of the City if interest rates rise. His preference is that the interest rate be whatever the City has gotten off its portfolio over the prior payment period. Because our boundaries are not coterminous with the School District, he stated he could not support this loan as it is structured, as much as he wants to assist the School District. This is important as a policy for the future in Districts 4 and 5 where there are other school facilities.

In response to query, City Treasurer Voss stated there are infinite ways the loan could be structured. There is inherent interest rate risk to the City, as Councilmember Brown pointed out. The risk is mitigated in a couple of ways, but not fully. One way is that relative to a security investment, this is fairly small. The other is that as the interest rate risk increases year by year, the loan is shrinking in size. It would be possible to structure this loan to

emulate our investment portfolio. The disadvantage to the School District would be they have no control over how we invest our funds. The fixed rate approach gives certainty to both sides.

Councilmember Del Guercio said the School District expressed a desire to be able to have a fixed rate. There is common interest here and he feels we should accommodate that for the good of the community. It's been a difficult issue, but we need to move forward.

Mayor Olhasso stated that in her mind it is a reasonable offer to the school district to move forward in a common interest.

Councilmember Spence stated he feels that Councilmember Brown has a point, but the sub-committee worked hard to reach this point and it is for the good of the community.

Mayor Pro Tem Portantino asked Treasurer Voss if this was Local Agency Investment Fund (LAIF) money that is being loaned. LAIF funds earn a lower rate than our portfolio. Treasurer Voss stated that is in essence it is. Their rates emulate a 3 month T-bill rate.

Mayor Pro Tem Portantino asked the City Attorney if we have violated the Government Code in the way the assessments were set. City Attorney Steres stated that certain facility fees are negotiated with other agencies, but not assessments in assessment districts. City Manager Alexander stated he has begun talks with the School Superintendent regarding Master Plan Area 4.

Motion by Councilmember Spence to approve the loan agreement as presented. Councilmember Del Guercio seconded the motion with 2 "friendly" amendments, which were agreed to by Councilmember Spence. The first is to account for the loan out of LAIF, and the second is to authorize the City Manager and City Attorney to make non-substantive language changes. Motion carried 4-1 with Councilmember Brown voting "no." He clarified his "no" vote was due to interest rate index for years 6 – 20. He does not oppose the concept, or the structure during the first five years.

5. FY 2004-05 Preliminary Budget

City Manager Alexander distributed a recap from the June 23 and 24 budget sessions. Changes made so far in the preliminary budget increase the amount available for allocation by \$32,100.

Gas Tax

He distributed a revised page for Gas Tax. Funds were transferred in for a project that didn't need to be so \$62,000 was transferred back out to zero it out. Each year any gas tax monies we receive are spent for street sweeping, street maintenance, and lighting and there is no carry over.

Bonds & Grants

The Bonds & Grants fund was amended to reflect \$236,000 we believe we will receive for the Indiana Trail Overcrossing. There is a \$59,000 match required. We are hoping to receive \$32,525 for the Flint Trail from a recreational grant. The item is shown as Ultimate/New/Flint but the Ultimate and New are completed.

Property Acquisition Fund

The purchase of the Woodleigh property for \$69,500 was not reflected in this fund.

Salaries and Benefits

City Manager Alexander noted that the PERS retirement rates have increased for the City. We are no longer an excess funded agency, and offer the 2% at 55 and single highest year benefits which carry a higher cost. The City's contribution will be at 18% next year.

Councilmember Del Guercio suggested a study be done for the future to ensure that salaries and benefits are competitive with the marketplace. Currently benefits are about 60% of salaries. Council concurred it was worth reviewing.

Sewer Funds

City Manager Alexander distributed revised pages. Prior to forming an Assessment District, everything is budgeted in the Sanitation Fund. Once there is an Assessment District, three funds are created: an improvement fund, a redemption fund, and a debt service fund. When the preliminary budget was prepared, we didn't know if there would be an assessment district for Area 3. The final budget will include the 3 new funds for Assessment District 04-1 (Areas 3A and 3B) and Areas 4 and 5 will be the only ones included in the Sanitation Fund.

Each year \$100,000 of property tax revenue is transferred to the Sanitation Fund. Other funds are transferred in from General Fund Reserves. These funds are a loan to the future Assessment District.

Councilmember Del Guercio asked how many homes are in Area 4. Director of Public Works Castellanos stated there are approximately 2,000 in Areas 4 and 5, and Area 4 is larger than 5. Councilmember Del Guercio stated that he lives in proposed Sewer Area 4. The threshold for his participation in any discussion of is 700 homes or more so it appears he can participate.

Council discussed possible timing for Areas 4 and 5. We could do a preliminary vote in early 2005, based on a preliminary design. If everything went smoothly, construction could start in mid-2006. Council talked about what could be done in the preliminary design process in order to get a better cost estimate for the preliminary voting. A discussion of whether Areas 4 and 5 should be done as one Assessment District or two will be held this fall.

City Manager Alexander reviewed the various sewer funds and what is included in each one. In Sewer District 02-1, no bonds have been issued because yet. Between the State loan and the pre-payments we had enough funding to get well into the project. Council asked about issuing the bonds while the interest rates are low. City Manager Alexander stated we need to have a more precise number of what is needed to complete the project.

Councilmember Brown asked about either hiring someone to do the bond work in-house or renegotiating contracts with MuniFinancial. City Manager Alexander stated it might be advantageous to look at that after Districts 4 and 5 have been set up.

Capital Projects – Council Consideration Items

Motion by Mayor Pro Tem Portantino, seconded by Councilmember Brown to approve Item C-17, \$59,000 for matching funds, Loop Trail Phase I (Indiana Overcross Link) out of General Fund Reserves. Motion carried unanimously.

Adjournment

Mayor Olhasso adjourned the meeting at 11:20 a.m. and noted the next budget session is scheduled for Wednesday, June 30, 2004 at 8:30 a.m.

Marjorie K. Wahlsten, CMC
City Clerk

Minutes approved by the City Council on August 2, 2004